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RICHARD W. TOWCIMAK  
CONTROLLER



VINCENT LaVALLE  
DEPUTY CONTROLLER  
ROBERT LEWIS, JR.  
SOLICITOR

BEAVER COUNTY COURTHOUSE  
THIRD STREET - BEAVER, PENNSYLVANIA 15009-2196  
TELEPHONE: Area Code 724-728-5700

August 26, 2005

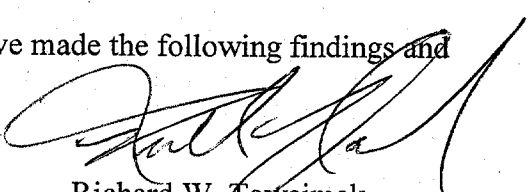
Nancy Werme  
Beaver County Prothonotary  
Beaver County Court House  
Beaver, PA 15009

Dear Ms. Werme:

We have audited the financial records of the Office of the Prothonotary in the County of Beaver of the state of Pennsylvania for the period January 1, 2003 through December 31, 2004. Based upon this audit we have issued our report thereon dated August 26, 2005.

We conducted our audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Based upon our review of the financial records, we have made the following findings and recommendations as detailed in this report.



Richard W. Towcimak  
Beaver County Controller

## **AUDIT SCOPE:**

The scope of this audit encompasses the period from January 1, 2003 to December 31, 2004.

## **AUDIT OBJECTIVES:**

Through the completion of internal control questionnaires, control tests, substantive tests, and observation, the following audit objectives were accomplished for this audit:

- Prepare a financial statement for each year reviewed
- Evaluate controls over the Office of the Prothonotary bank accounts and change fund
- Ensure that funds are deposited on the same day received
- Ensure that funds received are disbursed to the proper payees
- Ensure that funds held in escrow are adequate
- Ensure that funds receipted are applied to the proper case
- Ensure that costs and fines are properly split upon receipt
- Ensure that reports and funds due to Beaver County and to the Commonwealth are correct and remitted in a timely manner
- Ensure that void receipts are voided for a valid reason
- Ensure that proper documentation is maintained in the case files
- Evaluate the controls over cash
- Evaluate the controls over purchasing and the administration of the budget
- Evaluate controls over general office procedures

**The Office of the Prothonotary  
Statement of Receipts and Disbursements  
For the Year Ending December 31, 2003**

**Beginning Balance January 1, 2003** **314,208.74**

**Income**

Beaver County	442,522.73
Commonwealth of Pennsylvania	44,560.45
Other	176,932.42
<b>Total Income</b>	<b>664,015.60</b>

**Disbursements**

Beaver County	(436,670.49)
Commonwealth of Pennsylvania	(44,445.32)
Other	(151,396.92)
<b>Total Disbursements</b>	<b>(632,512.73)</b>

**Adjustments:**

**General Account**

12/31/02 interest recorded 03	(147.30)
12/31/03 interest not recorded	95.56

**Court Ordered Interest Bearing Accounts**

Interest bearing Accounts not recorded	(81,579.59)
Interest Disbursement not recorded	(1,324.51)
Interest income not recorded	1,179.35

**Total Adjustments** **(81,776.49)**

**Ending Balance December 31, 2003** **263,935.12**

**The Office of the Prothonotary  
Statement of Receipts and Disbursements  
For the Year Ending December 31, 2004**

<b>Beginning Balance January 1, 2004</b>		<b>263,935.12</b>
<b>Income</b>		
Beaver County	505,093.91	
Commonwealth of Pennsylvania	45,880.74	
Other	48,940.42	
<b>Total Income</b>		<b>599,915.07</b>
<b>Disbursements</b>		
Beaver County	(512,579.02)	
Commonwealth of Pennsylvania	(46,551.18)	
Other	(89,557.87)	
<b>Total Disbursements</b>		<b>(648,688.07)</b>
<b>Adjustments:</b>		
<b>General Account</b>		
12/31/2003 interest	(95.56)	
12/31/04 interest	113.75	
December 8th NSF	(5.00)	
Check voided 1/5/05	(700.00)	
<b>Court Ordered Interest Bearing Accounts</b>		
Interest bearing accounts not recorded	(38,623.18)	
Interest disbursements not recorded	(1,068.38)	
Interest income not recorded	1,077.38	
<b>Total Adjustments</b>		<b>(39,300.99)</b>
<b>Ending Balance December 31, 2004</b>		<b>175,861.13</b>

**THE OFFICE OF THE PROTHONOTARY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD JANUARY 1, 2002 THROUGH DECEMBER 31, 2002**

Note 1: Summary of Significant Accounting Policies - The Office of the Prothonotary reports on the cash basis of accounting. Under the cash basis of accounting revenues are recognized when received and expenses recognized when the disbursement is made.

Note 2: Infocon Corporation Software - The Infocon System is the computerized system used by the Office of the Prothonotary for the preparation of all receipts accepted by the office personnel. These receipts are the source documentation for the daily deposits and are also the basis for the allocation of funds collected to the proper payees.

Note 3: Escrow Accounts Incorrect – Due to incorrect entries when the computer system was initiated some funds that are due the county are listed on the escrow as due others. This occurred due to double entries of some old items. The overall balance in the escrow account is correct and these items are being corrected as they are identified.

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CONTROLLER



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August 26, 2005

Nancy Werme  
Beaver County Prothonotary  
Beaver County Court House  
Beaver, PA 15009

#### Report on Internal Control Structure

We have audited the accompanying statement of account of the Office of the Prothonotary, Beaver County, Pennsylvania, for the period January 1, 2003 to December 31, 2004, and have issued our report thereon dated August 26, 2005.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the Office of the Prothonotary, Beaver County, Pennsylvania, for the period January 1, 2003 to December 31, 2004, we considered the office's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and the office's compliance with applicable regulations and



not to provide assurance on the internal control structure.

The management of the Office of the Prothonotary is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with prescribed policies. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, future reliance on any evaluation of the structure, past or current, is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the internal control structure we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation. Additionally, we assessed control risk for the internal control structure except for matters of compliance. Compliance with applicable laws and regulations was considered when assessing control risk for the internal control structure.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the county office's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce, to a relatively low level, the risk that material errors or irregularities affecting the financial statements being audited may occur and not be timely detected by employees in the normal course of performing their assigned functions.

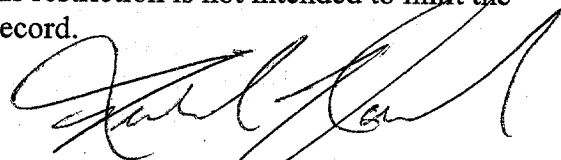
Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. We noted the following reportable conditions:

- **Checks Should Be Marked For Deposit Upon Receipt**
- **Receipts Should Be Issued For All Receipts**

- **Partial Payments Accepted For PFA Filing Fees**
- **Items Listed On Escrow Report Need Corrected**
- **Master File Listing For Computer Generated Fees Should Be Reviewed**
- **Phantom Receivables Created Through Data Entry Mistakes**

For further elaboration on these weaknesses, refer to the "Findings and Recommendations" section of this audit report.

This report is intended solely for the information and use of the Office of the Controller, management, and others within the administration. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Richard W. Towcimak  
Beaver County Controller

# FINDINGS AND RECOMMENDATIONS

### **Observation 1: Checks Should Be Endorsed For Deposit Upon Receipt**

A review of receipts and deposits shows that all deposits are made in a timely manner and that no lapping has occurred. All checks were made out to the Office of the Prothonotary. Checks continue to be indorsed by the bookkeepers and not by the clerks who receive the funds. All funds are properly secured over night and employee checks are never cashed.

#### **Recommendation:**

It is recommended that all checks be endorsed for deposit only upon receipt; instead of being endorsed by bookkeepers when they prepare daily deposits.

### **Observation 2: Receipts Should Be Issued For All Funds Received**

Individual receipts are not generated for the sale of copies. The office continues to receive funds for copies without issuing a receipt, the funds are receipted as a single receipt when the bookkeepers deem necessary.

#### **Recommendation:**

It is recommended that individual receipts be issued for all funds received by the Prothonotary's office regardless of the amount or the type of receipts. Copy funds should not be kept separate from other receipts and entered as a single larger receipt.

### **Observation 3: Partial Payments Accepted For PFA Filing Fees**

Audit review revealed that partial payments are accepted on PFA Filing Fees, as seen on receipt 248109. Partial PFA payments are entered into the system upon receipt and no account receivable appears on the Infocon system for the balance due. The bookkeepers keep a separate file of PFA payables but do not manually track this account. The Prothonotary will review the acceptance of partial payments for PFA's with the president judge.

#### **Recommendation:**

It is recommended that the Prothonotary review the procedure for accepting and tracking partial payments for PFA charges. It is also recommended that a list of outstanding PFA Filing Fees payable be maintained by the Prothonotary's office as long as the current policy of accepting partial payment is

Beaver County Prothonotary  
Audit Report

maintained.

#### **Observation 4: Items Listed On Escrow Report Need Corrected**

Many of the problems that persisted with the Escrow balance from previous audit have been corrected. A few items remain that are related to old monies which were erroneously entered when the system was brought on line. Two such items are listed under Payee 508, listed as 1994-99999 on receipts 46518 and 46522. These items totaling \$1000.00 have no description and are not linked to any cases. Previous audit adjustments were made to allow for these discrepancies by adjusting interest due to Beaver County, as these items are identified the funds should be paid to the county. Some small dollar value items remain open under Payee 511 Rent Bond General Account for extended periods after the cases were completed by the courts. The Prothonotary's office has made several attempts to have the lawyers involved in these cases resolve these issues. A few cases have been cleared but the majority of cases remain unresolved due to non-response to inquiries.

#### **Recommendations:**

It is recommended that funds listed under Payee 508 Court Administrator Beaver Co. relating to receipt number 46518 for \$500.00, and receipt number 46522 for \$500.00 be transferred to Beaver County. These receipts appear to have been entered in error and are not related to any open case. It is also recommended that the Prothonotary contact her solicitor and seek instructions on how to handle small dollar amounts that remain in Escrow, for extended periods, after cases have been closed by the court.

#### **Observation 5: Master File Listing For Computer Generated Fees Should Be Reviewed**

Several Items remained an issue on the Master File Listing from the last audit these items have amounts applied to them that are not correct. These items include a listing of REIMBRSE INS for \$174.80 and a BANK CHARGE for \$5.00 these entries should show no dollar amounts. Entries for these items vary each time they are used. Errors could occur due to the possible use of these fees as they are entered into the computer.

#### **Recommendations:**

It is recommended that the Prothonotary's office continue to review the Master File Listing to insure that listed items are properly valued.

## **Observation 6: Phantom Receivables Created Through Data Entry Mistakes**

The office of the Prothonotary no longer allows credit on any receipts. However a list of items with a balance due during the audit period revealed some items were still being posted as receivables. A problem was noted with the entry of passports and passport photo fees that result in the creation of these receivables. The cost of a passport is currently \$30.00 and the cost of a photo is \$10.00. If a photo charge is improperly entered as a passport fee a \$20.00 receivable is created. It is impossible to determine whether the incorrect amount was collected or incorrect charges were applied. If the incorrect amount was collected this would result in a loss of revenue. If however the wrong charges are being applied then the result is the creation of phantom receivables. An additional error occurred when case file 2002-20195 was reviewed for cost and an erroneous entry was made for \$95.50. This amount is not a true receivable and should be removed from the system.

### **Recommendation:**

It is recommended that the Prothonotary's office review the process for receipting funds for passports and passport photos with their Infocon support to prevent items being entered as receivables. The Prothonotary should also review the process to insure that the proper amounts are receipted and that they are charged to the proper transaction number. In addition case 2002-20195 should be reviewed and the balance due of \$95.50 removed from the account receivable. The accounts receivable reports should be reviewed periodically to insure receivables are not being erroneously created.

An exit conference was held on September 31, 2005  
at the Office of the Prothonotary for the purpose of discussing the items presented in this  
report. Those in attendance were:

The Office of the Prothonotary

Nancy Werme - Prothonotary

Marilyn Biancucci - Chief Deputy

Beaver County Controller's Office

Charles Gibbons - Auditor

The results of the audit were discussed in there entirety during this conference.

A form has been enclosed with this report to be completed by the Office of the Prothonotary. This form restates all findings noted in the audit. The office of the Prothonotary is requested to complete the corrective action section for each finding. If no corrective has been taken please state this. Return this form to the Office of the Controller within thirty days of receipt. This form will be incorporated and become a part of this report. As part of the Office of the Controller's normal reporting procedure, a copy of this report along with your responses will be distributed to the Beaver County Law Department.

**THE OFFICE OF THE PROTHONOTARY  
AUDIT RESPONSES  
FOR THE PERIOD JANUARY 2003 THROUGH DECEMBER 2004**

**Summary Of Findings:**



### **Observation 1: Checks Should Be Endorsed For Deposit Upon Receipt**

A review of receipts and deposits shows that all deposits are made in a timely manner and that no lapping has occurred. All checks were made out to the Office of the Prothonotary. Checks continue to be indorsed by the bookkeepers and not by the clerks who receive the funds. All funds are properly secured overnight and employee checks are never cashed.

#### **Recommendation:**

It is recommended that all checks be endorsed for deposit only upon receipt; instead of being endorsed by bookkeepers when they prepare daily deposits.

#### **Corrective Action Implemented By Prothonotary:**

The practice of check endorsement by bookkeeping staff rather than counter clerks is due to the long standing intake process of securing the incoming check to one of three Infocon generated receipts per action. Due to the diversification of civil filings, counter activities error is less likely to occur if check handling at time of intake is minimal. Check endorsement by bookkeepers is ongoing and continual as daily activity of check and receipts are checked and proofed for error. All checks are endorsed immediately when given to bookkeepers and all checks that are secured overnight are stamped for endorsement.

#### **Date Corrective Action Was Implemented:**

### **Observation 2: Receipts Should Be Issued For All Funds Received**

Individual receipts are not generated for the sale of copies. The office

continues to receive funds for copies without issuing a receipt, the funds are receipted as a single receipt when the bookkeepers deem necessary.

**Recommendation:**

It is recommended that individual receipts be issued for all funds received by the Prothonotary's office regardless of the amount or the type of receipts. Copy funds should not be kept separate from other receipts and entered as a single larger receipt.

**Corrective Action Implemented By Prothonotary**

By design and unchangeable, Infocon system produces three duplicate receipts per transaction. It is not cost effective to receipt a single 25 cent per copy transaction, particularly if the customer does not want or requests a receipt.

**Date Corrective Action Was Implemented:**

**Observation 3: Partial Payments Accepted For PFA Filing Fees**

Audit review revealed that partial payments are accepted on PFA Filing Fees, as seen on receipt 248109. Partial PFA payments are entered into the system upon receipt and no account receivable appears on the Infocon system for the balance due. The bookkeepers keep a separate file of PFA payables but do not manually track this account. The Prothonotary will review the acceptance of partial payments for PFA's with the president judge.

**Recommendation:**

It is recommended that the Prothonotary review the procedure for accepting and tracking partial payments for PFA charges. It is also recommended that a list of outstanding PFA Filing Fees payable be maintained by the Prothonotary's office as long as the current policy of accepting partial payment is maintained.

**Corrective Action Implemented By Prothonotary:**

# **The Office of the Prothonotary**

## **Invoice Testing**

At present, bookkeepers manually maintain separate files of individual PFA accounts payables due to the practice of partial payment. Audit recommendation of maintaining a listing and breakdown of outstanding PFA filing fee payables will be explored through Infocon implemented system or through the use of a computer spread sheet.

### **Date Corrective Action Was Implemented:**

#### **Observation 4: Items Listed On Escrow Report Need Corrected**

Many of the problems that persisted with the Escrow balance from previous audit have been corrected. A few items remain that are related to old monies which were erroneously entered when the system was brought on line. Two such items are listed under Payee 508, listed as 1994-99999 on receipts 46518 and 46522. These items totaling \$1000.00 have no description and are not linked to any cases. Previous audit adjustments were made to allow for these discrepancies by adjusting interest due to Beaver County, as these items are identified the funds should be paid to the county. Some small dollar value items remain open under Payee 511 Rent Bond General Account for extended periods after the cases were completed by the courts. The Prothonotary's office has made several attempts to have the lawyers involved in these cases resolve these issues. A few cases have been cleared but the majority of cases remain unresolved due to non-response to inquiries.

#### **Recommendations:**

It is recommended that funds listed under Payee 508 Court Administrator Beaver Co. relating to receipt number 46518 for \$500.00, and receipt number 46522 for \$500.00 be transferred to Beaver County. These receipts appear to have been entered in error and are not related to any open case. It is also recommended that the Prothonotary contact her solicitor and seek instructions on how to handle small dollar amounts that remain in Escrow, for extended periods, after cases have been closed by the court.

#### **Corrective Action Implemented By Prothonotary:**

# **The Office of the Prothonotary**

## **Invoice Testing**

Infocon print screen search of receipt #46518 for \$500.00 and receipt #46522 were entered as 1994-99999 miscellaneous receipts. These items have no traceable backtracking information other than entry as Master's Fee. Both items are escheated to the county as "old monies" disbursement.

**Date Corrective Action Was Implemented:** 10/04/05

### **Observation 5: Master File Listing For Computer Generated Fees Should Be Reviewed**

Several Items remained an issue on the Master File Listing from the last audit these items have amounts applied to them that are not correct. These items include a listing of REIMBURSE INS for \$174.80 and a BANK CHARGE for \$5.00 these entries should show no dollar amounts. Entries for these items vary each time they are used. Errors could occur due to the possible use of these fees as they are entered into the computer.

#### **Recommendations:**

It is recommended that the Prothonotary's office continue to review the Master File Listing to insure that listed items are properly valued.

#### **Corrective Action Implemented By Prothonotary:**

REIMBURSE INS	for	\$174.80	deleted
BANK CHARGE	for	\$ 5.00	deleted

**Date Corrective Action Was Implemented:** 10/03/05

### **Observation 6: Phantom Receivables Created Through Data Entry Mistakes**

# **The Office of the Prothonotary**

## **Invoice Testing**

The office of the Prothonotary no longer allows credit on any receipts. However a list of items with a balance due during the audit period revealed some items were still being posted as receivables. A problem was noted with the entry of passports and passport photo fees that result in the creation of these receivables. The cost of a passport is currently \$30.00 and the cost of a photo is \$10.00. If a photo charge is improperly entered as a passport fee a \$20.00 receivable is created. It is impossible to determine whether the incorrect amount was collected or incorrect charges were applied. If the incorrect amount was collected this would result in a loss of revenue. If however the wrong charges are being applied then the result is the creation of phantom receivables. An additional error occurred when case file 2002-20195 was reviewed for cost and an erroneous entry was made for \$95.50. This amount is not a true receivable and should be removed from the system.

### **Recommendation:**

It is recommended that the Prothonotary's office review the process for receipting funds for passports and passport photos with their Infocon support to prevent items being entered as receivables. The Prothonotary should also review the process to insure that the proper amounts are receipted and that they are charged to the proper transaction number. In addition case 2002-20195 should be reviewed and the balance due of \$95.50 removed from the account receivable. The accounts receivable reports should be reviewed periodically to insure receivables are not being erroneously created.

### **Corrective Action Implemented By Prothonotary:**

As per Prothonotary request, Infocon implemented a cost code block that only allows for automatic coded fee processing. Overriding programmed fees is computer prohibited.

Case #20195-2002 was corrected and removed by Infocon as an accounts receivable as of 8/11/05

**Date Corrective Action Was Implemented:** 8/11/05

**The Office of the Prothonotary**  
**Invoice Testing**

**Signature Of Elected Official:**

*Nancy Werme*  
**Nancy Werme, Prothonotary**

**Date:**

*October 4, 2005*